DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: March 21, 2007
POSITION: Oppose

BILL NUMBER: SB 119
AUTHOR: G. Cedillo
RELATED BILLS: SB 1288 (2006)

BILL SUMMARY: Medi-Cal: Drug and Alcohol Treatment for 12-20 yr olds

This bill would add four services to the Drug Medi-Cal (DMC) program for persons age 12 to 20, subject to the availability of federal financial participation (FFP): (1) residential treatment, (2) family counseling, (3) aftercare, and (4) case management. This bill also would prohibit making county welfare departments responsible for costs of board and care related to residential treatment services for this age group.

FISCAL SUMMARY

Services authorized by this bill would be contingent upon FFP. If 15 percent of the estimated 95,500 Medi-Cal eligible youth needing substance abuse treatment enter treatment, this bill would result in a DMC caseload increase of over 14,000 clients. Based on available cost and utilization data from the California Access to Recovery Effort (CARE) program, this bill would result in increased annual costs of $19.9 million ($10 million General Fund). The Department of Health Care Services (DHCS) last year indicated it would need at least two additional limited-term positions and $190,000 ($95,000 General Fund) for coordination and development of the State Plan Amendment, and revisions to the interagency agreement between the DHCS and the Department of Alcohol and Drug Programs (DADP).

The DADP would incur costs to develop regulations and guidance for the delivery of services under this expansion, as well as to certify and license substance abuse treatment provider programs and facilities. However, the extent of additional costs and staffing needs associated with licensing and program certification, whether General Fund or fully fee-supported, cannot be determined at this time because the potential number of new programs and facilities is unknown.

Due to the time it will take to fully implement any new services, full-year costs for service delivery would not be realized until 2010-11. Requests for additional resources to implement this bill would be evaluated during the budget process. While successfully treating youth that abuse drugs or alcohol may avoid costs in future years for adult substance abuse treatment, health care, incarceration and the judicial system, the amount of cost avoidance cannot be determined.

COMMENTS

The Department of Finance opposes of this bill for the following reasons:

- This bill is identical to SB 1288 (Cedillo, 2006) which was vetoed because it would have substantially expanded Drug Medi-Cal services and resulted in millions of dollars of new state costs. The veto message also indicated that this policy could be more appropriately addressed during the budget process.
- Once fully implemented, this bill would result in annual costs of $19.9 million ($10 million General Fund) which would further increase the structural deficit. These costs assume a state plan amendment is approved by the federal Centers for Medicare and Medicaid Services (CMS) in order to obtain approximately 50 percent FFP.

Analyst/Principal	Date	Program Budget Manager	Date
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Department Deputy Director	Date

Governor's Office:	By:	Date:	Position Approved_______
			Position Disapproved

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- The California Health and Human Services Agency (CHHSA) has been leading the Administration's efforts on licensing reform across multiple state departments. Any additions or modifications to the scope of DADP's current licensing practices should be developed within the context of the licensing reform structure established by the CHHSA in order to ensure a comprehensive and consistent approach to licensing reform statewide.

ANALYSIS

A. Programmatic Analysis

Current law established the Drug Medi-Cal program, administered by the DADP. Since the end of May 2005, the DADP has used federal funds to implement the California Access to Recovery Effort (CARE) in Los Angeles and Sacramento counties for substance abuse treatment of youth aged 12 to 20. The CARE program offers services consistent with the DADP Youth Treatment Guidelines and closely replicates those services proposed by SB 119.

This bill would do all of the following:

- Require four services (residential treatment, family counseling, aftercare, and case management) be provided under DMC for persons age 12 to 20 only if FFP is available.
- Prohibit making county welfare departments responsible for costs of board and care related to residential treatment services authorized by this bill.
- Require the Department of Health Care Services to use its best efforts to obtain federal approval of a state plan amendment to get FFP for the added services.

Discussion. According to the author's office there are currently limited services for the 220,000 – 320,000 youth in need of drug and alcohol treatment. The purpose of this bill is to provide treatment to the youth population.

Finance notes that the bill does not specify an effective date for these services. Therefore, we assume that these services must be added to the DMC program upon approval of the State Plan Amendment by the CMS. It also would be appropriate to develop regulations specific to each of the added services. For the new residential program, licensing and certification requirements, applications, on-site inspections, and appropriate licensing fee schedules must be developed before a new youth program provides treatment services. Further statutory changes to existing licensing requirements may be necessary.

B. Fiscal Analysis

This bill provides that the program would not be expanded until CMS approval and FFP have been secured. Finance notes that CMS has consistently denied FFP reimbursement for room and board costs related to residential treatment services and the bill specifically exempts counties from responsibility for paying for room and board costs. Therefore, room and board costs for residential services likely would be paid from existing federal Substance Abuse Prevention and Treatment block grant funds or more likely result in additional indeterminate General Fund pressures.

If 15 percent of the estimated 95,500 Medi-Cal eligible youth needing substance abuse treatment enter treatment, this bill will result in a DMC caseload increase of over 14,000 clients. Based on initial costs and utilization in the CARE program, this bill, once fully implemented, would result in increased annual costs of $19.9 million based on the following assumptions:

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B. Fiscal Analysis (Continued)

- 10 percent of those who enter treatment will require residential care, at a cost of $175 per day for 12-17 year olds and $75 per day for 18-20 year olds.
- An average residential stay of 45 days.
- Family counseling, case management and aftercare will have a utilization rate of 55 percent.
- Average cost for four sessions of family counseling would be $450 per client.
- Case management services, at an average cost of $780 per client, will exclude those persons in residential treatment because their case management would be provided by the residential facility.
- Aftercare services cost an average of three individual sessions, at $65 per session, and three group sessions, at $31 per session.

The Department Health Services likely would need two additional limited term positions and $190,000 ($95,000 General Fund) for coordination and development of the State Plan Amendment, DMC regulations, and revisions to the interagency agreement between the DHS and the DADP.

In addition, this bill would increase costs for the DADP related to licensing residential facilities, fingerprinting of all owners and employees of facilities providing services to minors, certifying outpatient programs, and monitoring and auditing the additional youth treatment programs. Without statutory or regulatory direction regarding the licensing and certification of these new program and, given the current volume of licensing reform measures being proposed by both the Administration and the Legislature, the extent of additional costs, whether General Fund or fully fee-supported, cannot be determined at this time.

Code/Department Agency or Revenue Type	SO LA CO RV	PROP 98	FC	2006-2007	FC	2007-2008	FC	2008-2009	Fund Code
			(Fiscal Impact by Fiscal Year) (Dollars in Thousands)						
1257/Othr Reg Lic	RV	No		-------------------- See Fiscal Analysis ---------------------					0001
4200/Alcohol Drug	SO	No		-------------------- See Fiscal Analysis ---------------------					0001
4200/Alcohol Drug	LA	No		-------------------- See Fiscal Analysis ---------------------					0001
4260/Hlth Care	SO	No		--	C	$48	C	$95	0001
4260/Hlth Care	SO	No		--	C	$47	C	$95	0890
4260/Hlth Care	LA	No		-------------------- See Fiscal Analysis ---------------------					0890

Fund Code	Title
0001	General Fund
0890	Trust Fund, Federal